

Tax Practitioner Guidelines for Computer-Prepared Returns

Introduction

The Franchise Tax Board (FTB) has established these guidelines for tax practitioners who use personal computers (or service bureaus) to computer-prepare their clients' personal income tax:

- Form 540, California Resident Income Tax Return;
- Form 540A, California Resident Income Tax Return;
- Form 540-ES, Estimated Tax for Individuals;
- Form 540EZ, California Resident Income Tax Return For Single and Joint Filers With No Dependents;
- Form 540 2EZ, California Resident Income Tax Return;
- Form 540NR, California Nonresident or Part-Year Resident Income Tax Return;
- Form 540X, Amended Individual Income Tax Return
- Form 541-ES, Estimated Tax for Fiduciaries
- Form FTB 3519, Payment Voucher for Automatic Extension for Individuals
- Form FTB 3563, Payment Voucher for Automatic Extension for Fiduciaries; and
- Form FTB 3582, Payment Voucher for Electronically Transmitted Returns.

This publication also provides information and guidelines on how to file your clients' business entity returns (Forms 100, 100S, 541, 565, and 568), including how to file Schedule K-1s (100S, 541, 565, and 568). In addition, it includes information about FTB's e-file (Electronic Filing) Program.

If you manually prepare your clients' returns, you **must** use the official form as printed and distributed by the FTB.

By following these guidelines, you will help reduce delays in processing and get your clients' refunds to them faster.

As a tax practitioner you do not need approval by the FTB to computer-prepare your clients' returns. However, make sure that the tax software or service bureau you use produces FTB-approved forms. Ask your software provider for a copy of its FTB-approval letter for the form(s) in which you are interested.

To ensure that you receive software updates and other information necessary to produce FTB-approved forms, register with your software provider, as necessary, upon receiving the product.

The FTB has separate publications for tax practitioners who want to participate in FTB's e-file Program and/or who want to prepare their clients' Schedule K-1 (565), Partner's Share of Income, Deductions, Credits, etc., in a magnetic media format (CD, diskette, cartridge, or magnetic tape).

If you have Internet access, you may download, view, and print FTB Pub. 1345, e-file Handbook for State of California Individual Income Tax Returns, and FTB Pub. 1062, Guide for K-1 (565) Filing by CD, Diskette or Magnetic Media. Go to FTB's website at: www.ftb.ca.gov. If you do not have Internet access, call the e-file Help Desk at (916) 845-0353.

General Information About Scannable Forms 540

and 540A (A graphic of these forms is shown on page 6.)

The FTB will use its automated processing systems to scan ("lift") information from the return, rather than having the information entered by key data operators.

The computer-prepared Forms 540 and 540A you print **must** have the scannable graphic patch located in the center top margin of Side 1. The patch identifies Side 1 of a taxpayer's return as it enters the automated systems.

Forms 540 and 540A **must** have a scannable band area that **must** contain the taxpayer's tax data. On Form 540, the "scanband" directly follows the "Step 1 Name and Address" area. On Form 540A, the scanband is at the bottom of Side 1. The two-digit field numbers in the scanband area correspond to the line numbers in the conventional areas of Forms 540 and 540A. Even though the tax data will print in the scanband and the conventional area of the form, only the tax data in the scanband will be "lifted." Monetary amounts in the scanband **must** be whole dollars only without decimal points or other punctuation. The rest of the scannable form is exactly like the official form.

Exception: Line 12a will print as Line 12 in the scanband on scannable Form 540A.

In addition to data capturing the tax practitioner's ID number (federal employer identification number (FEIN) and/or tax preparer ID number (PTIN)) on electronically filed returns, the FTB will data capture these numbers on all imaged returns.

What is Needed to Computer-Prepare California Tax Forms

Tax practitioners may produce returns using:

- The software that produces FTB-approved forms;
- The personal computer hardware required by the software to produce FTB-approved forms (i.e., font cartridges, etc);
- The software user's manual that includes instructions for correctly producing FTB-approved forms; and
- The FTB-approved overlay, if needed. See the explanation of the correct use of overlays on page 3.

Please read your software provider's user manual to make sure you have the necessary hardware and printer fonts to correctly produce FTB-approved forms.

All printing must be:

- Laser or ink jet;
- Courier, standard OCR-A font, or standard print font (no bold font);
- 10 pitch (pica spacing);
- Alpha characters must be in upper case;
- Original printed output (no corrections); and
- On one side of the paper (no duplexing).

Guidelines on How to Enter Taxpayer Entity Information on Computer-Prepared Personal Income Tax Forms

Taxpayer entity information is arranged in fixed positions with defined field lengths. Each field is dedicated to hold specific information such as:

- Spouse name;
- Executor/guardian name;
- Apartment and apartment number (or letter);
- Private Mailbox (for the "PMB" to print) and PMB number (or letter); and
- Deceased date of taxpayer or taxpayer's spouse, if any.

Note: The FTB added a "PMB no." field to all 1999 California tax forms that have a taxpayer entity area. (Scannable forms have the two fields shown above.) FTB encourages the use of the PMB no. field; however, the FTB realizes that not all of your clients will choose to use this field.

It is critical that you enter the taxpayer entity information correctly. This will help the FTB to accurately process your clients' returns, and help ensure that your clients' refund checks are printed with the correct name(s) and address. Your clients' entity information should print like the examples shown under "Taxpayer Entity Information Examples" on page 2.

Two Asterisks (**) in the Entity

Two asterisks (**) in the taxpayer entity area indicate to the FTB that taxpayer information is **UNCHANGED** from last year. Print two asterisks **ONLY** if the taxpayer (and taxpayer's spouse, if any):

- Filed a California Form 540, 540A, 540EZ, or 540NR return last year;
- Did **not** change the address from the one shown on last year's return;
- Has the same social security number (SSN) as last year;
- Has the same name (first, middle, and last) as last year;
- Has the same filing status as last year; and
- Is not deceased.

Otherwise, **do not** print the asterisks.

Taxpayer Name and Address Entry Instructions

Use these instructions when you enter your client's name and address information. It will help reduce FTB processing time and help ensure that your client's refunds are mailed to the correct name(s) and addresses.

- Alpha characters must be in upper case.
- Use no punctuation or symbols. **Note:** If a fraction is part of the street address, enter a forward facing slash (/). **Note:** This is the **only** symbol that may be used in the taxpayer address area.
- Do not use commas or periods to separate information.
- **Never** space or use punctuation in the taxpayer's name control field. (The name control is the first four letters of the taxpayer's last name. The name control follows the taxpayer's SSN.) **Note:** Form 541-ES and form FTB 3563: Name control is the first four letters of the estate or trust's proper name and follows the estate's or trust's FEIN. See examples on next page.

Example: McPeak Enter: MCPE
 O'Toole Enter: OTOO
 De Martino Enter: DEMA
 Lee Enter: LEE
 Lee-Smith Enter: LEES

- Do not include titles or ranks such as: DR, MD, ENSIGN, SGT, etc.
- Use Roman numerals (alpha characters) for numeric suffixes.
- Never space within the name field(s) except for JR, SR, II, etc.
 Example of first name: Jo Anne Enter as: JOANNE
 Example of last name: Von Wodtke Enter as: VONWODTKE
 Example of last name: Lee-Smith Enter as: LEESMITH
- The SSN must be eleven digits (includes "-"). Enter "000-00-0000" in the SSN field if an individual has applied for or does not have an SSN.
Note: Form 541-ES and form FTB 3563: The FEIN must be 10 digits (includes "-").
- Use the standard abbreviations listed to the right for the suffix of the street name.
- Do not** enter apartment and apartment number/letter in the street address field. Enter them in the designated "apartment" and "apartment number" fields. These fields are on the same line as the street address field. **Note:** Enter APT, BLDG, SP, STE, RM, FL, and UN in the "apartment" field.
 For correct placement of APT, UN, etc., see taxpayer entity information examples shown below for IMA REFUND or JACOB H HARLEY and CHRISTINE S BLAKE.
- Do not** precede the apartment number with a pound sign (#). Enter Private Mailbox ("PMB") and PMB number or letter in the PMB and PMB number/letter field. (See taxpayer entity example for Grace Alexander below.)
- Additional address field is a supplemental field that may **only** be used for:
 - "In care of" name;
 - Additional address information.
- Military "APO" or "FPO" addresses:
 - Enter "APO" or "FPO" in the first three positions of the city field;
 - Do not** enter the name of the city for "APO" and "FPO" addresses;
 - Enter the two-digit state code in the state field:

City Field	State Code	ZIP Code Range
APO	AA	34000-34099
APO	AE	09000-09999
FPO	AP	96200-96699 and 98700
- In the state field, use the standard two-digit abbreviation for the state or United States possessions listed to the right.
- If the address is a foreign address, enter the country name beginning in the state field.
- ZIP Code may be ten digits (including "-").
- If after applying these guidelines the information exceeds the field length, truncate the information from the right.

Taxpayer Entity Information Examples:

111-11-1111 JAMIE	MISS ** L MISSION	99	111-11-1111 JACOB CHRISTINE	HARL ** H HARLEY S BLAKE	222-22-2222 99
1234 STATE ST CROWN	CA 12345-6789		9876 LONGNAME WY WALLACE	CA 12345-6789	APT 1
111-11-1111 JORDAN MELISSA	TAXP ** Q TAXPAYER S TAXPAYER	222-22-2222 99	111-11-1111 ERIK	SMIT T SMITH	99
12345 SHORT ST ANYPLACE	CA 12345		HOMESTYLE NURSING HOME 3452 BUSY DR BORDERTOWN CA 12345		
111-11-1111 IMA	REFU REFUND	99 (DECD 12-10-99)			
1234 BEAUTIFUL DR WELCOME	CA 54321-4334		AUSTIN JOSEPH UN 5		
38-3897821 ROBERT JEFFREY	SMIT L SMITH TRUST a JONES TRUSTEE	99			
7321 PARK PL ANYTOWN	CA 59321-8420				
111-11-1111 GRACE	ALEX ALEXANDER	99			
9223 HAPPY AV VALLEY	CA 12345-6789		PMB 14		

Note: If there is no spouse name, leave that line blank. If there is no additional address or executor/guardian name, leave that line blank.

Standard Abbreviations

AIR FORCE BASE	AFB	PARKWAY	PKY
APARTMENT	APT	PLACE	PL
AVENUE	AV	PLAZA	PLZ
BOULEVARD	BL	POINT	PT
BUILDING	BLDG	POST OFFICE BOX	PO BX
CAUSEWAY	CSWY	ROAD	RD
CENTER	CTR	ROOM	RM
CIRCLE	CIR	SAN/SANTO	SN
COURT	CT	SOUTH *	S
CROSSING	XING	SOUTHEAST *	SE
DEPARTMENT	DEPT	SOUTHWEST *	SW
DRIVE	DR	SPACE	SP
EAST *	E	SQUARE	SQ
EXPRESSWAY	EXPY	STREET	ST
FLOOR	FL	SUITE	STE
FREEWAY	FWY	TERRACE	TER
HIGHWAY	HWY	TRACK	TRAK
LANE	LN	UNIT	UN
LOOP	LP	WALK	WK
NORTH *	N	WALKWAY	WKWY
NORTHEAST *	NE	WAY	WY
NORTHWEST *	NW	WEST *	W
NUMBER/#	No abbreviation		

* ABBREVIATE ONLY WHEN USED AS A DIRECTION.

State and U.S. Possessions Abbreviations

Alabama	AL	Montana	MT
Alaska	AK	Nebraska	NE
American Samoa	AS	Nevada	NV
Arizona	AZ	New Hampshire	NH
Arkansas	AR	New Jersey	NJ
California	CA	New Mexico	NM
Colorado	CO	New York	NY
Connecticut	CT	North Carolina	NC
Delaware	DE	North Dakota	ND
Dist Columbia	DC	Northern Mariana	
Federated States of Micronesia	FM	Islands	MP
Florida	FL	Ohio	OH
Georgia	GA	Oklahoma	OK
Guam	GU	Oregon	OR
Hawaii	HI	Palau	PW
Idaho	ID	Pennsylvania	PA
Illinois	IL	Puerto Rico	PR
Indiana	IN	Rhode Island	RI
Iowa	IA	South Carolina	SC
Kansas	KS	South Dakota	SD
Kentucky	KY	Tennessee	TN
Louisiana	LA	Texas	TX
Maine	ME	Utah	UT
Marshall Islands	MH	Vermont	VT
Maryland	MD	Virgin Islands	VI
Massachusetts	MA	Virginia	VA
Michigan	MI	Washington	WA
Minnesota	MN	West Virginia	WV
Mississippi	MS	Wisconsin	WI
Missouri	MO	Wyoming	WY

Miscellaneous Information

Tax Preparer ID Number (PTIN) – Tax preparers have the option of using their PTIN instead of their social security number when signing tax returns for their clients.

Direct Deposit of Refund (DDR) – DDR is now available to your clients who file their personal income tax return on paper. When your clients select this option, be sure to complete all fields in the "Direct Deposit Information" found on Side 2 of all personal income tax returns.

Pay Your Taxes by Credit Card – Your clients may use their Discover/NOVUS, MasterCard, or American Express card to pay their personal income taxes, including estimated tax. For more information about fees, etc., call (888) 272-9829, or visit the website: www.8882paytax.com

What are Keying Symbols?

Although the FTB will scan most personal income tax forms, there are still some that require manual processing by key data operators. Therefore, keying symbols are still very important.

Keying symbols are shown on all computer-prepared returns, including the conventional parts of scannable forms. They will print to the left of specific tax data line numbers. Keying symbols reduce time and guide key data operators to enter the correct tax return information.

Exact placement, shape, and size of keying symbols are shown in the example below. (The example below shows a 1996 Form 540NR. These same symbols are being used for all 1999 personal income tax returns.)

Before you give your clients' their returns to file, please verify that these symbols are present. If the keying symbols are not present, please read your user's manual and make sure you have the minimum hardware and printer fonts necessary to print FTB-approved forms. **Note:** In most cases if you download the soft fonts before printing your clients' returns (most software products do this automatically), the keying symbols will print correctly. If you cannot determine why the keying symbols do not print correctly, contact your software provider's technical support staff.

amount (\$25 max) ▶ 66	00
(\$25 max) . . . ▶ 67	00
total contributions ● 68	
NO AMOUNT DUE. Mail your return to: SACRAMENTO CA 94240-0000 ■ 69	
a check or money order payable to your social security number and Form 540NR and mail to: SACRAMENTO CA 94267-0001 ■ 70	
penalties 71	
FTB 5805F is attached, check here <input type="checkbox"/> ■ 72	
next year, check here ● 73	<input type="checkbox"/>

Dot Matrix Text Mode Forms

For filing purposes, the FTB does **not** accept ANY dot matrix text mode California tax forms and schedules because they do not contain the data entry symbols and other required graphics necessary for processing. The use of an overlay is required.

If your software provider's product does not offer the option to use an overlay, the following message will print on the return: **"DO NOT FILE THIS FORM."** In this case, you must transfer all information to an official form.

Fiscal Year Filers

If any of your clients file on a fiscal year basis, make sure that the tax software you use accommodates their needs.

Not all tax software products support fiscal year filing. As a result, you may need to fill out some clients' tax forms manually.

Always remember to enter the fiscal year date in the appropriate place on the form. If you do not, the tax return will automatically be processed as a calendar year return. When this happens, your clients' returns most likely will appear to be delinquent in some way. As a result, your clients could receive a delinquent or late payment of tax penalty or an underpayment of estimated tax penalty and may be assessed interest.

Contact your tax software's technical support staff if you are uncertain as to whether or not the tax software you use supports fiscal year filing.

Prior Year and Amended Returns

Do not use 1999 software to file a prior year return.

Amend personal income tax Forms 540, 540A, 540EZ, 540 2EZ, and 540NR by completing Form 540X, Amended Individual Income Tax Return. **Note:** When amending Form 540NR, you must also attach a revised Form 540NR to Form 540X.

Amend corporate income tax Forms 100 and 100S by completing Form 100X, Amended Corporation Franchise or Income Tax Return.

Federal Form 1040PC

The FTB accepts federal Form 1040PC as a federal tax return when one is required to be attached to the California return.

Form FTB 3595, Special Handling Required

If your clients' Form 540, 540A, 540EZ, 540NR, or 541 includes any of the special circumstances listed below, check the appropriate item(s) and staple form FTB 3595 to the front of Side 1 in the upper-left hand corner.

- Underpayment of Estimated Tax by Farmers and Fishermen (FTB 5805F);
- Underpayment of Estimated Tax by Individuals and Fiduciaries (FTB 5805);
- Deceased taxpayer or spouse;
- Taxpayer out of country on original due date of return;
- Military Out of Country — Service in a Combat Zone;
- Disaster; and
- Form 540X filed in response to notice of proposed assessment.

Note: If your clients are required to attach special handling forms FTB 5805, Underpayment of Estimated Tax by Individuals and Fiduciaries or FTB 5805F, Underpayment of Estimated Tax by Farmers and Fishermen, staple the form(s) to the front of Side 1 in the upper-left hand corner.

The Correct Use of Overlays

If you use a dot matrix printer, your software provider's product may require the use of an overlay. If you must use an overlay to produce FTB-approved form(s), it is critical that you use the overlay correctly. Misuse may delay your clients' refunds. Please use the following guidelines when you use an overlay:

- Make sure the glass on the photocopier you use is free from any obstructions. (e.g., smudges, smears, and dust).
- Make sure the overlay you use is also free from any obstructions.
- Use the grid marks (small box(es) or other distinguishing symbol) to ensure correct placement of your clients' entity information and scan-band data. **Note:** The location of the grid marks may differ on each software provider's product.
- Upon completion, make sure that your clients' returns are clear and straight on the paper. If not, make another copy.

FTB Taxpayer Signature and Authentication Policy

The FTB's policy is to ensure proper authentication of the information provided to us by taxpayers. The level of authentication needed on specific documents depends on several factors, including how the FTB uses the information. To help you determine whether or not the FTB will accept photocopies or facsimiles of a taxpayer's signature(s), the FTB has categorized the level of signature authentication required into three groups. The category and its number (c1, c2, or c3) will print after the form number in the bottom margin on each form. The three categories are:

- | | |
|-----------------|---|
| Category 1 (c1) | Original authentication required; facsimiles acceptable only if original is subsequently provided. |
| Category 2 (c2) | Copy of signature is sufficient proof that original was signed; photocopy or facsimile is acceptable. |
| Category 3 (c3) | No authentication required. |

Where To Get Income Tax Forms

By Internet – If you have Internet access, you may download, view, and print California income tax forms and publications. Go to FTB's website at: www.ftb.ca.gov.

Additional Credit Names, Codes, and Acronym Names

*PIT = Personal Income Tax

*B&C = Bank and Corporation Tax

Credit Name	Code	Acronym	PIT*	B&C*
Child Adoption	197	CHILD ADOPT	X	
Community Development Financial Institution Deposits	209	CDFI DEPOSIT	X	X
Dependent Parent	173	DEP PARENT	X	
Disabled Access for Eligible Small Businesses	205	DSABL ACCESS	X	X
Donated Agricultural Products Transportation	204	DONATE AGTRN	X	X
Employer Child Care Contribution	190	CHLDCARE CTR	X	X
Employer Child Care Program	189	CHLDCARE PRG	X	X
Enhanced Oil Recovery	203	ENHNC OILREC	X	X

Enterprise Zone Employee	169	E/Z EMPL	X	
Enterprise Zone Hiring & Sales or Use Tax	176	E/Z HIRE/USE	X	X
Farmworker Housing New Construction/Rehabilitation	207	F/W HS CONST	X	X
Farmworker Housing New Construction/Rehabilitation Loans	208	F/W HS LOAN		X
Joint Custody Head of Household	170	JT CSTDY HOH	X	
Local Agency Military Base Recovery Area (LAMBRA) Hiring & Sales or Use Tax	198	LAMBRA HR/US	X	X
Low-Income Housing	172	LOW-INC HOUS	X	X
Manufacturers' Investment	199	MFG INVSTMNT	X	X
Manufacturers' Enhancement Area (MEA) Hiring	211	MEA HIRE	X	X
Nonrefundable Renter's	NONE	NONE	X	
Other State Tax	187	OTHER STATE	X	
Prior Year Alternative Minimum Tax	188	PRIOR YR AMT	X	X
Prison Inmate Labor	162	INMATE LABOR	X	X
Research	183	RESEARCH	X	X
Rice Straw	206	RICE STRAW	X	X
Salmon & Steelhead Trout Habitat Restoration	200	SALMON/TROUT	X	X
Senior Head of Household	163	SR HOH	X	
Targeted Tax Area (TTA) Hiring & Sales or Use Tax	210	TTA HIRE/USE	X	X
Repealed Credits With Carryover Provisions				
	Code	Acronym	PIT*	B&C*
Agricultural Products	175	AGRI PRODUCT	X	X
Commercial Solar Electric System	196	COMSLR EL CO	X	X
Commercial Solar Energy Credit	181	COM SLR NRG	X	X
Contribution of Computer Software	202	CTB COMPSOFT		X
Employee Ridesharing: Employee Vanpool Program	194	R/S EMPL VN	X	
Employer Ridesharing: Large Employer Program	191	R/S LG EMPLR	X	X
Small Employer Program	192	R/S SM EMPL	X	X
Employer Subsidized Public Transit Passes	193	R/S TRANSIT	X	X
Energy Conservation	182	NRG CSRV CO	X	X
Los Angeles Revitalization Zone Hiring & Sales or Use Tax Credit	159	LARZ HRE/USE	X	X
Low-Emission Vehicles	160	LOW-EMS VHCL	X	X
Orphan Drug	185	ORPHN DRG CO	X	X
Political Contributions	184	POLTCL CTB	X	
Recycling Equipment	174	RCYCL EQUIP	X	X
Residential Rental & Farms Sales	186	RES RNT/FARM	X	
Ridesharing	171	R/S CO	X	X
Solar Energy	180	SLR NRG CO	X	X
Solar Pump	179	SLR PUMP CO	X	X
Technological Property Contribution	201	TECHPROP CTB		X
Water Conservation	178	WATRCRSV CO	X	
Young Infant	161	YNG INFNT CO	X	

Additional Credits

Field numbers 28 and 29 in the scanband on Form 540 are where your clients' additional credit amounts, if any, print. The additional credit amount **must** be preceded by the appropriate three-digit numeric code.

Additional Credit Examples

Dependent Parent Credit (code 173) of \$20 in field number 28. The scanband on Form 540 will look like this:

28 17320

For more information, refer to "Additional Credit Lines 28 and 29" on page 7.

Claiming Additional Credits on Personal and Business Entity Tax Forms (Forms 100, 100S, 540, and 540NR)

If your client (personal or business entity taxpayer) claims additional credits, the credit name, code number (the credit acronyms and code numbers on this page should already be part of the tax software you use), and amount should print on the applicable lines of Forms 100, 100S, 540, and 540NR. When a client claims credits on Schedule P (100, 540, or 540NR) and they are listed in more than one section, your tax software should total column (b) of the credits that have the same code numbers and bring the total to the applicable line of the form being filed.

If your client (personal or business entity taxpayer) has any other credits to claim, on Schedule P (100, 540, or 540NR), the tax software should add the amounts from column (b) for those credits and bring the total forward to the applicable line of the form being filed.

FTB's e-file Program

FTB has made some enhancements to its e-file Program. Beginning in 2000 (taxable year 1999), FTB will offer 3 new forms: Form 540 2EZ, California Resident Income Tax Return; FTB 3521, Low-Income Housing Credit; and FTB 3801-CR, Passive Activity Credit Limitations. FTB is continuing the Head of Household (HOH) Questionnaire pilot, allowing participants to voluntarily e-file their HOH data.

When your clients e-file and owe money, they don't have to write and mail a check. They can choose to electronically pay (e-pay) their income tax or if they're due a refund they can choose direct deposit to their financial institution account. Use form FTB 8453, California Individual Income Tax Declaration for e-file, to indicate the amount to be withdrawn from their financial institution account and the date the withdrawal is to take place or to indicate the amount of the refund. **Note:** For accurate processing, be sure to verify the financial institution account information each year.

Interested tax professionals must meet the following guidelines in order to participate. The prospective participant must: 1) already be participating in the Internal Revenue Service (IRS) e-file Program; 2) receive an Electronic Filer Identification Number (EFIN) from the IRS; 3) submit form FTB 8633, California Application to Participate in the e-file Program; 4) pass a suitability test similar to the IRS; and 5) comply with all the rules and procedures set forth in FTB Pub. 1345, e-file Handbook for Electronic Return Originators of California Individual Income Tax Returns.

If you have any questions regarding the FTB's e-file Program, please contact the e-file Help Desk at (916) 845-0353 or email your questions to **e-file@ftb.ca.gov**. The e-file staff is available Monday through Friday from 8 a.m. to 5 p.m., except state holidays.

Filing of Business Entity Returns (Forms 100, 100S, 541, 565, and 568)

To ensure accurate and timely processing of your clients' business entity returns that require Schedules K-1 (100S, 541, 565, or 568), use software that produces FTB-approved schedules. Make sure the substitute forms you use meet the FTB's requirements. Specifically, Schedules K-1 (565) filed with incomplete information may cause the FTB to contact the partnership for more information or to return the Schedules K-1 to the partnership. Either of these circumstances may subject the partnership to penalties.

Reminder, do not file:

- K-1 data on microfiche;
- Federal K-1 schedules;
- Data base print out information; or
- Abbreviated schedules.

California Encourages Tax Preparers to File Magnetic Media Schedules K-1 (565)

For the highest rate of accuracy and rapid processing of your clients' partnership return (Form 565, Partnership Return of Income), file the

Schedules K-1 (565) on magnetic media (CD, diskette, cartridge, or magnetic tape) and mail in the Form 565. Use software that produces FTB-approved magnetic media formatting.

Schedules K-1 (565) for multiple partnerships can be downloaded and sent to the FTB on the same CD or diskette. It is not necessary to provide a separate CD or diskette for each individual partnership. Use form FTB 3604, Transmittal of Partnership K-1 Information On Magnetic Media to provide the name, FEIN, and number of Schedules K-1 that are included for each partnership on the CD or diskette.

Compliance with Partnership Filing Requirements for Magnetic Media Schedules K-1 (565)

Before you submit your clients' magnetic media Schedules K-1 (565), please verify that you have completed the procedures shown below. This will help ensure error-free files and timely processing. **Do not** mail or attach federal or California paper Schedules K-1 (565) to Form 565 when you file your clients' Schedules K-1 (565) via magnetic media.

- Schedules K-1 have been formatted and put on magnetic media for each person identified on Form 565, Side 2, Question J.
- All fields on the Schedule K-1 are formatted and completed as described in FTB Pub. 1062, Guide for K-1 (565) Filing by CD, Diskette, or Magnetic Media.
- The magnetic media Schedule K-1s reconcile to the Form 565, Schedule K.
- Schedules K-1 formatted on CD or diskette have been pre-tested with the FTB's K-1 TestWare. (**Note:** If the Schedules K-1 have been formatted to a cartridge or magnetic tape, a test file must be submitted first to ensure process compatibility.)
- Provide your clients with the information contained on the Schedule K-1. (**Note:** The information is not required to be on a Schedule K-1, it may be in text format.)

Compliance with Partnership Filing Requirements for Paper Schedules K-1 (565)

Before you submit your clients' partnership return (Form 565) and paper Schedules K-1 (565), please verify the following information. This will help ensure accurate and timely processing.

- Schedules K-1 are attached for each person identified on Form 565, Side 2, Question J.
- The Schedule K-1 contains the partner's correct name, address, and identifying number.
- Question A through Question I have been answered on Schedule K-1, Side 1.
- The appropriate entity box (Schedule K-1, Question B) is checked for each partner.
- The Schedules K-1 reconcile to the Form 565, Schedule K.
- The partner's percentage (Schedule K-1, Question D) is shown in decimals (i.e., 33.5). Do not use fractions.
- Provide your clients with the information contained on the Schedule K-1. (**Note:** The information is not required to be on a Schedule K-1, it may be in text format.)

K-1 TestWare

The FTB provides K-1 TestWare as a tool to help you accurately prepare magnetic media Schedules K-1 (565). The program validates the K-1 files, which enables you to send error-free files when you submit your clients' Schedules K-1 via CD or diskette. The TestWare can also expand your files from a delimited format into the format that is required for the FTB's main-frame processing. You may download a copy of the K-1 TestWare from the FTB's website or you may request a diskette by calling the e-file Help Desk at (916) 845-0353.

Substitute Schedules K-1 (565) Filing Requirements

As a professional preparer, if you choose to develop your clients' Schedules K-1 (565) (magnetic media or paper format), you must follow the same substitute forms review and approval requirements used by tax software developers, transfer agents, and others.

You must complete and return to FTB form FTB 1096, Agreement to Comply with FTB Pub. 1098. FTB Pub. 1098, Guidelines for the Development and Use of Substitute, Scannable, and Reproduced Tax Forms, includes the information you need to develop FTB-approved forms. To get a copy of form FTB 1096, call the Substitute Forms Program Administrator at (916) 845-3553. FTB Pub. 1098 is available on the FTB website.

Note: The paper format of Schedule K-1 (565) may be either a one-sided or two-sided format. The one-sided format requires you to print only those tax data lines that are applicable to the partner. The two-sided format

requires you to print all data lines. Both formats require approval from the FTB.

Note: Common trust funds and investment clubs use Form 565, Partnership Return of Income, to report their filing information. To help ensure accurate processing, common trust funds are required to use the principal business activity (PBA) code 525920. Investment clubs are required to use PBA code 523910. For further information, see the instructions for federal Form 1065, U.S. Partnership Return of Income.

FTB's Tax Practitioner Services

The Practitioner Hotline is dedicated to helping CPAs, enrolled agents, attorneys, and other tax practitioners with questions on tax law, forms, California reporting requirements, and account resolution matters.

The Practitioner's Support Team is staffed year round, Monday through Friday, from 8 a.m. to 5 p.m. From January 3 through April 17, Monday through Friday, 7 a.m. to 8 p.m., Saturdays and holidays 7 a.m. to 4 p.m. The telephone number is (916) 845 7057. If you call, be ready to provide pertinent client information such as social security number, latest notice received, or facts relating to the inquiry. Customer Service Representatives can respond to questions on both personal income tax and bank and corporation tax law.

The Electronic Correspondence staff receives incoming correspondence 24 hours a day, seven days a week. The FAX number is (916) 845-6377. When you fax your transmission, be sure your cover sheet includes your business letterhead, FAX number, and daytime telephone number. In addition, please submit a copy of your Power of Attorney if not already on file. Generally, your correspondence will be answered in less than 10 working days. To help ensure a quick response, it is recommended that you keep your fax machine turned on at all times.

1999 Scannable Forms 540 and 540A Assembly Guidelines

Staple entire return together in upper left-hand corner

California Resident Income Tax Return 1999 **540**

DO NOT ATTACH LABEL. 885-35-4560 ZIGG ** 520-99-5846 99
CHRISTOPHER J ZIGGZEPHYR
CHRISTINALA P ZIGGZEPHYR

Step 1
Name and Address: 54987 ABSORAKIAN MOUNTAIN BLVD APT 3424B
ALEXANDRETTAVILLA CA 94240-0070

FEDERAL RETURN ATTACHMENT REQUIRED
☐ YES ☐ NO

FOR COMPUTERIZED USE ONLY

01	2	30	0	49	45	APE	0
06	0	31	0	50	0	3800	0
09	2	35	0	51	0	3803	0
11	0	36	0	52	25	SCHG1	1
12	25000	37	7603	53	0	5870A	1
14	0	38	2000	54	0	5805 5805F	1
16	540	39	6000	55	0	P 56824410	0
17	170420	41	0	56	0		0
18	9550	43	397	57	0		0
20	11577	44	100	58	0		0
21	288	45	297	59	35		0
23	116	46	0	60	155		0
28	2091302	47	0	61	142		0
29	1972500	48	50	62	0		0
			64	50			0

013343366
44099288380

Step 2
1 ☐ Single 2 ☐ Married filing joint return (even if only one spouse had income)
3 ☐ Married filing separate return. Enter spouse's social security number above and full name here
4 ☐ Head of household (with qualifying person). STOP See instructions.
5 ☐ Qualifying widow(er) with dependent child. Enter year spouse died 19 _____

Step 3
7 Personal: If you checked box 1, 2, or 4 above, enter in the box. If you checked the box on line 6, see instructions.
8 Blind: If you (or if married, your spouse) are visually impaired, enter 1; if both, enter 2
9 Seaker: If you (or if married, your spouse) are 65 or older, enter 1; if both, enter 2
10 Add line 7 through line 9. This is your total exemption credit before the dependent exemption credit.
11 Dependents: Enter name and relationship. Do not include yourself or your spouse.
12 Total dependent exemption credit: 11 ☐ X \$227 = \$ _____

Step 4
13 State wages from your Form(s) W-2, box 17: 13 169,880
14 Enter adjusted gross income from your 1999 federal return: 14 169,880
15 California adjustments - additions. Enter the amount from Schedule CA (540), line 23, column B: 15 540
16 California adjustments - deductions. Enter the amount from Schedule CA (540), line 23, column C: 16 170,420
17 California adjusted gross income. Combine line 15 and line 16: 17 170,420
18 Enter your CA standard deduction OR your CA itemized deductions: 18 9,550
19 Subtract line 18 from line 17. This is your taxable income. If less than zero, enter -0-: 19 160,870
20 Tax. Check if from ☐ Tax Table ☐ Tax Rate Schedule ☐ FTS 3800 or ☐ FTS 3803: 20 11,577
21 Exemption credits. If your federal AGI is more than \$118,813, see instructions: 21 11,289
22 Subtract line 21 from line 20. If less than zero, enter -0-: 22 116
23 Tax. Check if from ☐ Schedule O-1 and ☐ Form FTS 5470A: 23 11,405
24 Add line 22 and line 23. Continue to Side 2: 24 11,405

For Privacy Act Notice, get form FTS 1131. 54099106613 Form 540 CI 1999 Side 1

Staple Check or Money Order Here

Staple Form(s) W-2, W-2G, 1099-R and other Forms 1099 showing California tax withheld here.

Staple entire return together in upper left-hand corner

California Resident Income Tax Return 1999 **540A**

DO NOT ATTACH LABEL. 111-11-1111 SMIT 222-22-2222 99
ROBERT J SMITH (DECD 12-10-99)
KELLY J SMITH (DECD 12-11-99)
ROBERT ROBERTS

Step 1
Name and Address: 3452 1/2 BUSY DR PMB 14
BORDERTOWN CA 12345-1111

Step 2
1 ☐ Single 2 ☐ Married filing joint return (even if only one spouse had income)
3 ☐ Married filing separate return. Enter spouse's social security number above and full name here
4 ☐ Head of household (with qualifying person). STOP See instructions.
5 ☐ Qualifying widow(er) with dependent child. Enter year spouse died 19 _____

Step 3
7 Personal: If you filed in 1, 2, or 4 above, enter in the box. If you filed in 2 or 5, enter 2
8 Blind: If you (or if married, your spouse) are visually impaired, enter 1; if both, enter 2
9 Seaker: If you (or if married, your spouse) are 65 or older, enter 1; if both, enter 2
10 Add line 7 through line 9. This is your total exemption credit before the dependent exemption credit.
11 Dependents: Enter name and relationship. Do not include yourself or your spouse.
12 Total dependent exemption credit: 11 ☐ X \$227 = \$ 454

Step 4
13a State wages from your Form(s) W-2, box 17: 13a 55,000
13b Enter federal adjusted gross income from your federal tax return, line 1; Form 1040EZ, line 4; Form 1040A, line 18; or Form 1040, line 23. (If over \$100,000, STOP; you must file Form 540): 13b 50,000
14 California income adjustments. Enter the amount: 14 1,000
15 Subtract line 14 from line 13b. This is your California taxable income: 15 49,000
16 Enter the (-) Your CA standard deduction or (-) See instructions: 16 5,422
17 Subtract line 16 from line 15. This is your taxable income. If less than zero, enter -0-: 17 43,578

FOR COMPUTERIZED USE ONLY

01	2	12	55000	27	0	37	0	54	0
06	0	13	1000	29	1494	47	0	55	0
09	0	14	49000	30	0	48	0	56	0
11	2	15	54222	31	1494	49	0	57	0
5805	1	19	120	32	0	50	0	58	0
		23	506	34	0	51	0	59	0
		24	2000	35	1494	52	0	P	87654321
		25	0	36	0	53	0		0

250250025
202020
1

For Privacy Act Notice, get form FTS 1131. 540A99106613 Form 540A CI 1999 Side 1

Staple Check or Money Order Here

Staple Form(s) W-2, W-2G, 1099-R and other Forms 1099 showing California tax withheld here.

Tax Practitioner Tips for Computer-Preparing, Assembling, and Mailing Scannable Forms 540 and 540A

Form	Scannable Form 540	Scannable Form 540A
Monetary Amounts (Taxpayer's Tax Data)	Monetary amounts must print in the scanband and must be whole dollars without decimal points or other punctuation. Monetary amounts in the conventional part of the form must include decimal points or a vertical rule (penny line).	Same as scannable Form 540.
Additional Credit Lines 28 and 29	Name or acronym of the credit, code number, and amount will print on the applicable lines in the conventional part of the form. See example on page 4.	Additional credits may not be claimed on Form 540A.
Direct Deposit of Refund (DDR)	DDR consists of three fields: 1) DDR routing number (first two positions must be 01 through 12 or 21 through 32); 2) DDR account number; and 3) DDR account type. All three fields must be completed when selecting the DDR option.	Same as scannable Form 540.
FTB-Supplied Label*	Do not apply the FTB-supplied label to the return. FTB's processing systems will capture the information that the software prints on the return.	Same as scannable Form 540.
Making Corrections*	Do not make corrections on the form. Do not modify the name, address, or tax data information. If there is an error, print a new return.	Same as scannable Form 540.
Submit Original Returns*	Submit original (hardcopy) returns. Do not submit photocopied returns. Return should be single-sided, not two-sided. Returns prepared with overlays are considered originals.	Same as scannable Form 540.
Attaching Federal Forms and California Supporting Forms	Form 540 may require attachments. Federal forms and California supporting forms may be stapled to the back of Form 540, Side 2. Note: The FTB accepts federal Form 1040PC as a federal tax return.	Never attach federal tax return.
Attaching Wage Statements	Staple "state" copy of Forms W-2, W-2G, 1099-R, and other Forms 1099 showing California tax withheld to the front of Side 1 in the area below the words "Step 4, Taxable Income."	Same as scannable Form 540.
Attaching Check or Money Order	Staple check or money order to the front of Side 1 in the area below the words "Step 3, Exemptions." (Place check or money order on top.)	Same as scannable Form 540.
Assembling Return	Staple Side 1 to Side 2 and any attachments in the upper left-hand corner.	Same as scannable Form 540.
Where to Mail the Return	REFUND OR NO AMOUNT DUE: IMAGE PROCESSING FRANCHISE TAX BOARD PO BOX 942840 SACRAMENTO CA 94240-0009 AMOUNT YOU OWE: FRANCHISE TAX BOARD PO BOX 942867 SACRAMENTO CA 94267-0001	Same as scannable Form 540.

* Apply these rules to all scannable vouchers (Form 540-ES, 541-ES, FTB 3519, FTB 3563, and FTB 3582). Mail to address shown on the form.

Tax Practitioner Tips for Computer-Preparing, Assembling, and Mailing Forms 540EZ, 540 2EZ, 540NR, and 540X

Form	Form 540EZ and Form 540 2EZ	Form 540NR	Form 540X
Monetary Amounts (Taxpayer's Tax Data)	Monetary amounts may include decimal points.	Monetary amounts may include decimal point or a vertical rule (penny line).	Same as Form 540NR.
Additional Credits	Additional credits may not be claimed.	Name or acronym of the credit, code number, and amount will print on the applicable lines of the form.	Not applicable.
Direct Deposit of Refund (DDR)	DDR consists of three fields: 1) DDR routing number (first two positions must be 01 through 12 or 21 through 32); 2) DDR account number; and 3) DDR account type. All three fields must be completed when selecting the DDR option.	Same as scannable Form 540.	Not applicable.
FTB-Supplied Label	You may apply the FTB-supplied label to the return. However, it may not be necessary because your software product should print this information.	Same as Form 540EZ.	Same as Form 540EZ.
Making Corrections	If the name and address printed on the return need correcting, draw a line in ink across the incorrect information and clearly write the correct information.	Same as Form 540EZ.	Same as Form 540EZ.
Submit Original Returns	Submit original or photocopied returns. However, the signature(s) of the taxpayer(s) must be original.	Same as Form 540EZ.	Same as Form 540EZ.
Attaching Federal Forms and California Supporting Forms	Never attach federal tax return.	Always attach federal tax return. Note: The FTB accepts federal Form 1040PC as a federal tax return.	Attach all supporting forms and schedules for items changed. Include federal forms and schedules if you made a change to your federal return. Include name and SSN for taxpayer (and taxpayer's spouse, if any,) on all attachments. Include complete copies of the Federal Audit Report(s) if you are reporting changes made by the IRS.
Where to Mail the Return	REFUND OR NO AMOUNT DUE: FRANCHISE TAX BOARD PO BOX 942840 SACRAMENTO CA 94240-0000 AMOUNT YOU OWE: FRANCHISE TAX BOARD PO BOX 942867 SACRAMENTO CA 94267-0001	Same as Form 540EZ.	Same as Form 540EZ.